Sense 69 A Marketing | Communications and Design Publication of Lippincott & Margulies Inc

Lifting the Fog from Multinational Marketing

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The New Climate for Multinational Companies

by Walter P Margulies

Less than a decade ago, I startled an audience of international business executives with the prediction that by the year 2000, roughly 80 percent of the world's business would be dominated by 200 corporations. Not long afterwards, Professor Richard Gardner of Columbia University Law School upped the number of corporations to 300 and forecast that they would control over 75 percent of world production within 30 years. More recently, Professor Howard V. Perlmutter of the Wharton School halved this time period and estimated that some 300 corporations will produce over half the world's goods and services by 1985.

These forecasts reflect the tremendous changes the world of business is undergoing. Our thinking, even our language is different; the international corporation has become the multinational corporation. But then, who a few years ago would have been so foolhardy as to suggest that the Japanese yen, Deutsche mark or French franc could be stronger than the dollar? That Mitsubishi, one of Japan's great Zaibatsu, would announce plans for direct investment in the United States? That American labor unions would turn strongly protectionist and demand governmental action to stop the "exporting of jobs?"

These are only a few portents of the new climate in which the American multinational corporation operates. Along the way they have demolished the comfortable myths of American product and marketing superiority, just as surely as our international payments deficits have created recurring runs on the dollar.

In short, for the American multinational corporation it's a whole new ball game. And while an executive might wish the referee would invoke a few more clipping penalties or call a few more off-sides on his competition, he recognizes that the rules have changed and he must study the rule book even while the ball is in play.

In this issue of SENSE we will explore one aspect of multinational marketing that, in our opinion, not infrequently receives less than its due: the development of a multinational communications philosophy and system that will serve the corporation as well in Cairo, Egypt as in Cairo, Illinois; in Rome, Italy as in Rome, New York. We have drawn on the experiences of three of Lippincott & Margulies' U. S. clients to illustrate how communications planning has aided their multinational marketing. Then in the last section we will turn the tables, so to speak, and examine the successful marketing efforts of a major foreign multinational corporation in launching a new product in the United States.

Our purpose is to establish a dialogue on this important subject and to encourage you, our readers, to share your thoughts and experiences with us. We welcome your comments and look forward to hearing from you.

Lifting the Fog from Multinational Marketing

Scarcely more than a decade ago, an American company ventured abroad secure in its missionary duty to export American know-how; for a precedent management could point to the Marshall Plan. In general, corporate executives believed that the superiority of American technology would dominate the marketplace, and compensate for any gaps in knowledge or experience of local market conditions.

Today, American product superiority is no longer unchallenged, and even when demonstrable, can no more guarantee market success abroad than it can at home. Nor does experience in segmented marketing to America's newly discovered "pluralistic society and culture," serve as a guide for marketing products overseas. Compared with the differences in philosophy, tradition, culture and taste that exist among varying European, Asian, African, and South American countries, the United States is still a remarkably homogeneous nation.

Failure to understand just how greatly markets in Sweden or Switzerland or Swaziland differ from those in the U. S. has often been a major problem for American companies in their efforts to establish themselves abroad; the subtle-

ties of international communications have traditionally escaped them. Misunderstandings, which might seem small to an American executive, can cause the ringing cry of "down tools!" in Sydney, or the mysterious failure of Zambian workers to report for work. But intellectual criticism of American gaffes has come primarily from European marketers, who understandably, if not too accurately, pride themselves on centuries of experience, dating back to the great mercantile companies and conveniently overlooking any of their own past communications failures. For example, voicing a brotherly concern for the tendency of American management abroad to hire and fire at will, Pieter Kuin, a former director of Unilever and former Secretary General of the Ministry of Economic Affairs in The Netherlands, comments: "Long tenure, has, in fact, been a tradition of European multinational management for many years...U.S. companies, setting up shop in Europe – or Asia and Africa, for that matter – have often caused harm by disregarding such feelings of mutual dependence...."

If, through inexperience, some American managers have run rough-shod over the feelings and customs of their peers abroad, one can reasonably query how tactful has been their understanding of the foreign mass consumer.

Understanding the highly individual national customs, tastes and preferences even in such closely related markets as Great Britain, Canada, and Australia, provides a challenge for any multinational company, but perhaps especially so for the American. Communications, both verbal and visual, frequently have quite different meanings in the context of local differences. Americans in Europe frequently use the phrase "first floor European" to explain to a compatriot that they mean the "second floor American" in a building. If the rest of the world numbers floors of a building differently, what chasms of misunderstanding must exist in other areas? Yet fear of misinterpretation has not usually been a prime concern of American management in establishing overseas ventures.

For the communications-sensitive corporation that recognizes it cannot project its products and itself in the same way abroad as it does at home, the solution need not be total localization. Splintering of communications

efforts is not only uneconomical and ineffective but for many, if not all consumer products, not even feasible. A central manufacturing resource in one European country can supply a product, appropriately labeled, to an entire network of other countries.

At Lippincott & Margulies we have been privileged to work with a considerable number of multinational corporations and assist them in developing what we consider one of the cornerstones of successful overseas operations: the creation – and implementation – of a multinational communications system. Keyed to a philosophical base encompassing not only the how but also the why of corporate actions, such a communications system obliges management to clearly define its objectives and then select the communication tools needed to achieve them.

An intelligent and sensitively planned multinational communications system is not a master blueprint equally applicable to all corporations. Rather, it must be customized to reflect the needs and objectives of each company. In the pages following, we will examine four different programs developed for major multinational corporations: Chrysler, Uniroyal, Coca-Cola and Nestlé Alimentana, S.A. And because visual communication can help overcome linguistic differences, an important element in bringing these programs together is their visual identification.

Chrysler
Individual Brands Thrive in a Multinational Marketing Framework

Unlike its principal Detroit rivals, Chrysler prior to the early 1960s had not established extensive manufacturing operations overseas. When Lynn Townsend became president, however, the company began to move more aggressively into foreign markets. In addition to expanding its manufacturing, distribution and sales facilities abroad, particularly in Latin America, it acquired interests in several foreign automakers, including Simca in France, Rootes in England and Barreiros in Spain. Since each of these companies already had well-established brand names and sales distribution within its own markets, one of the challenges facing Chrysler was to fit them into its own total marketing plan while retaining those equities important to local markets.

In the United States, Chrysler had already begun implementing an extensive corporate communications program developed by Lippincott & Margulies. This program created a unique new identity for each of Chrysler's major product lines – Dodge, Plymouth and Chrysler – yet provided an important visual and verbal link to the parent corporation.

Underlying the identification program was a communications philosophy and strategy designed to enable a broad range of products with individual brand identification to stand aggressively on their own in the marketplace yet at the same time subtly project the size and capabilities of the corporation that produced them.

Knowing that Chrysler planned to expand its world-wide activities, Lippincott & Margulies developed a communications system of great flexibility that could work effectively on either a domestic or multinational basis. The objective was not to lose important brand equities of its foreign subsidiaries, yet at the same time, drive home the corporate name Chrysler as a significant endorsement factor. As a consequence, the planned marketing umbrella was extended to include most of the products and brands of overseas affiliates.

Thus, while Rootes in England retained its own brands, its identification system and the Pentastar linked it visually to Chrysler. In France, Simca products continued to be indigenously French but the identification system in dealer showrooms indicated that they were part of Chrysler's world-wide operations.

Initially, the company also retained the corporate names of its subsidiaries, but as it acquired a majority interest in each and as its own communications system became sufficiently recognized at the corporate level, it changed their names: Rootes is now Chrysler United Kingdom; Simca is Chrysler France and Barreiros, Chrysler España.

Today, not only Chrysler cars and trucks, but Chrysler marine engines, fishing boats, power boats and sail boats, and Airtemp airconditioning and heating systems are sold throughout the Free World. Nearly 9,000 Chrysler sales and distribution facilities carry the Pentastar identification world-wide, as do over 3,500 dealers. Chrysler

cars, trucks and tractors produced by its 27 manufacturing and 18 assembly plants outside the U. S. and Canada now account for over one-third of the company's total sales. This compares with under 24 percent less than a decade ago.

Today a Chrysler plant, whether in Linwood, Scotland or Istanbul, Turkey, in Sao Bernardo do Campo, Brazil or Clovelly Park, Australia, is as immediately recognizable as a Chrysler operation as if it were in Detroit, even though local nomenclature identifies it to residents and workers as indigenous to their own country.

Chrysler's communication system bridges language and cultural differences in more than 145 countries, reinforcing brand and product images without specific national associations. The user of a Chrysler product is assured that he can get responsive service wherever he sees the Pentastar displayed. To the Frenchman, it still says Simca; to the Spaniard, it still says Barreiros. For Chrysler, it has meant a cohesive multinational communications program that has significantly enlarged its customer franchise and contributed importantly to corporate revenues.

Uniroyal
Marketing World-Wide with One Brand Name

While Chrysler markets most successfully under a variety of local product names, linked together by a graphic communication system, Uniroyal, with the help of Lippincott & Margulies, developed quite a different strategy for its multinational marketing. When Lippincott & Margulies began working for U. S. Rubber Co., as it was then called, it found that the company's communications were national, rather than multinational. As a result, in all its major markets, the company was looked upon as a small, local firm rather than a world-wide enterprise. Contributing to this were the many brand names used in local markets with no discernible link to the corporate parent.

For example, an Englishman driving a car equipped with tires from U. S. Rubber's North British Rubber subsidiary, had no way of knowing if he suffered a blow-out on a German autobahn, that he could obtain equivalent quality from an Englebert tire, produced by U. S. Rubber's sub-

sidiary on the Continent. Even on this side of the Atlantic, U. S. Royals, while well-known in the United States, were not available in Canada, where Dominion Rubber Co., the firm's Canadian affiliate, marketed under other brands.

Moreover, the corporation had outgrown the name that had identified it since 1894. "U. S. Rubber" was limiting in every respect, not least for its growth as a multinational corporation. The "U. S." designation was a handicap, particularly in less-developed nations, where it seemed to imply a relationship with the U. S. government. Periodically, the company's installations were attacked by anti-U. S. protestors, as if they were part of the official U. S. mission. If "U. S." was limiting, "Rubber" was even more anachronistic for a company making chemicals, plastics, fibers and many other products.

In its analysis of U. S. Rubber, Lippincott & Margulies defined the company as a corporation "...transplanting technology, products, processes, management methods and selling techniques from one world area to another, with subsidiaries and selling offices around the globe. Management plans, operates and markets as a unified, integrated, international enterprise...."

To communicate this on a multinational level, Lippincott & Margulies recommended that the company reposition itself, eliminating any geographic or specific industrial areas of activity. The first step in this direction was the creation of a single, unifying *brand* name that could either alone, or as an endorsement for strong existing brands, identify the company's products for its customers everywhere.

Lippincott & Margulies created the now well-known name, Uniroyal to fulfill this function. Retaining a link to United States Rubber with its first three letters, the implications of "Uni" also encompass a worldwide activity, quite appropriate for this expanding multinational corporation. The next step was to link "Uni" with the company's best known tire brand, "Royal" and then develop a complete communications system around this new superbrand name.

Today's Uniroyal's 1,200 product lines, manufactured in 90 factories throughout the world, are sold in virtually every country. The company's famous Keds, which have expanded from sneakers to over 1,500 styles of sport and

casual shoes, carry the Uniroyal endorsement as well as the brand name. Uniroyal golf balls are in play on golf courses worldwide. And in Europe, Uniroyal's steel-belted radial, the Rallye 180, is one of the two leading brands of radial tires.

The demonstrated effectiveness of the single marketing communicator prompted the company to adopt it as its corporate name and since 1967, U. S. Rubber has been known as Uniroyal, Inc.

Coca-Cola
Creating Fresh Consumer
Awareness for an Old Friend

What, one might ask, could the master marketers of Atlanta possibly do to improve their multinational marketing? From the earliest days of the company's history, its operations have been truly multinational. Its far-flung activities have even earned the company the soubriquet of America's second State Department. The thirsty traveler in a souk in Rabat or on the Ginza in Tokyo has no doubt, whether in Arabic script or Japanese calligraphy, that Coke is available.

But by the mid-Sixties, Coke's management was aware of an erosion of its market both at home and overseas. Not only were its prime U. S. competitors marketing their products abroad, but local brands, some so closely imitative as to appear to infringe on international copyright laws, were also on the increase.

Moreover, the multiplicity of Coke identifications that had grown up had become a source of concern. Over the years, although the unique Coca-Cola signature remained unchanged, its presentation varied. A red circle was the most common setting, but in certain media the background identification was yellow-orange. And because there were so many Coke signs, sometimes 10 to 20 within the space of a few yards, they had almost become invisible. Accustomed to their omnipresence, no one saw them any longer.

The problem Coca-Cola brought to Lippincott & Margulies was how to overcome the customer resistance that develops from the overly familiar and routine. L&M's research confirmed that although the Coca-Cola trademark and

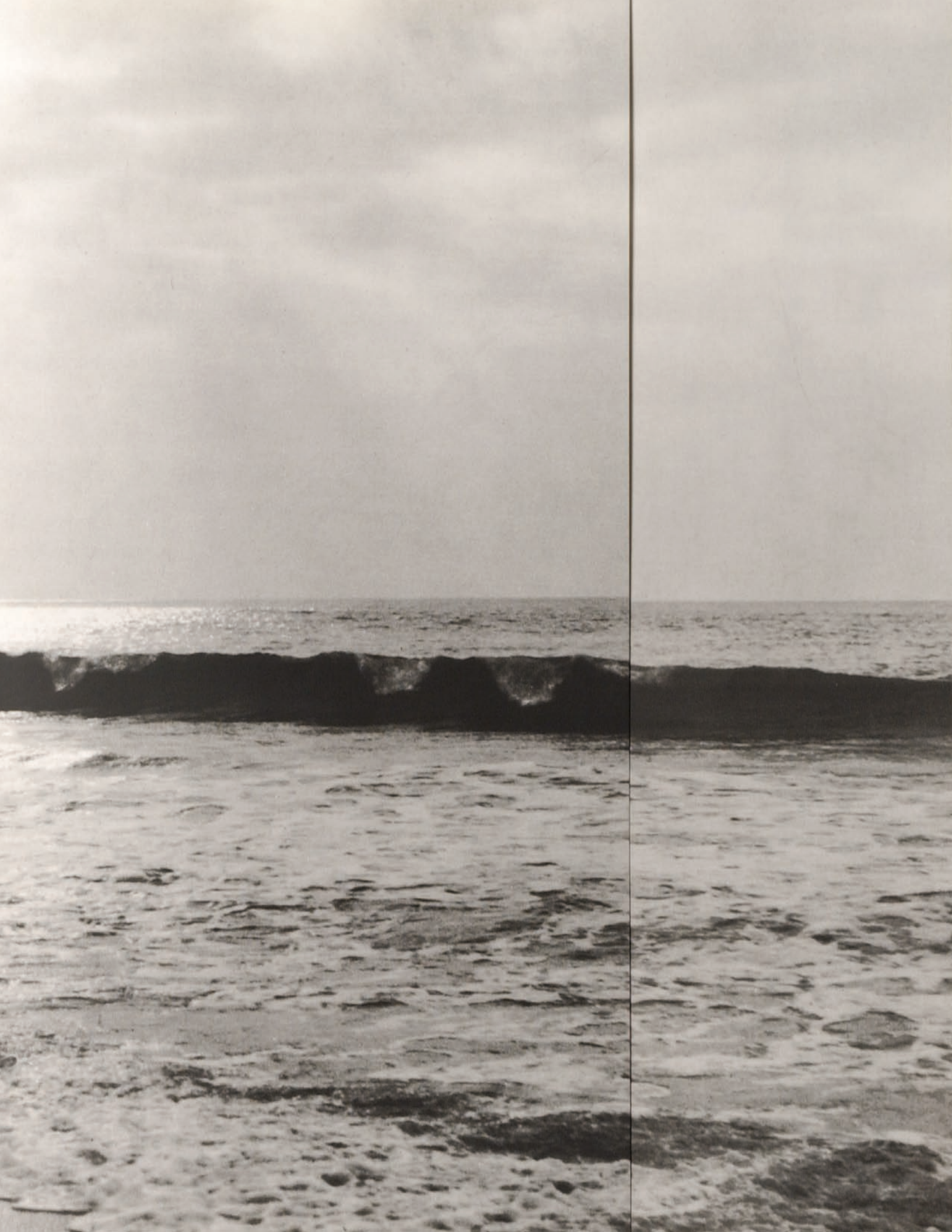
the product had received the greatest multiplicity of exposures of any product in history, the varying expressions of the brand had confused the visual image of Coca-Cola in the minds of its customers.

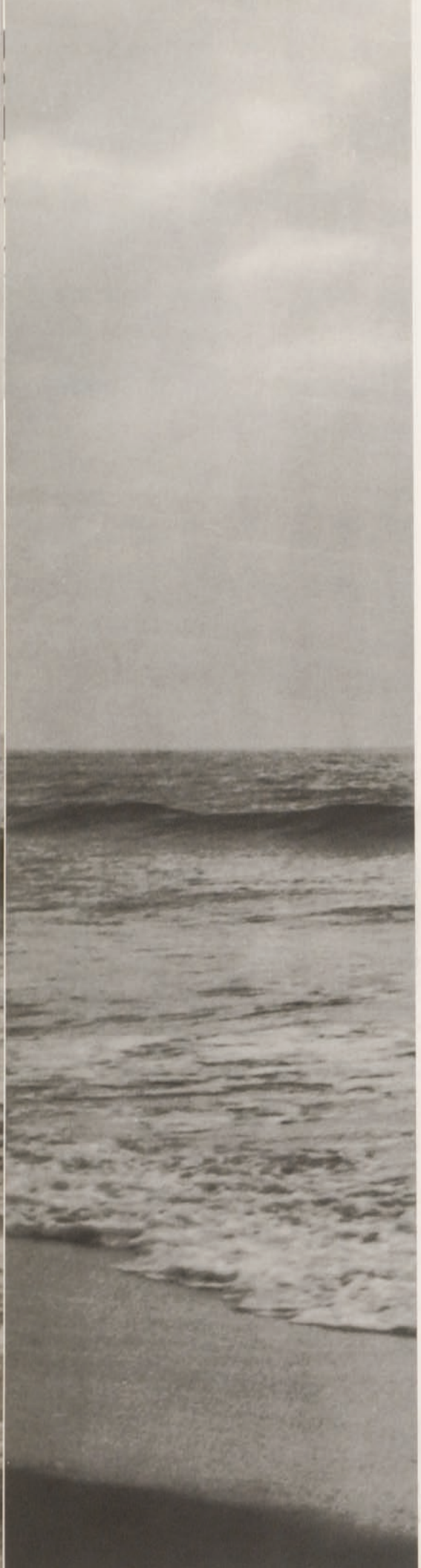
Instead of a problem, Lippincott & Margulies defined the assignment as an opportunity to refocus all of Coke's brand expressions into one strong, unified image that would capture fresh customer awareness through an exciting and cohesive new look. Analysis determined that there were four key elements in the product's brand identification: the "Coke" signature; the "Coca-Cola" signature, the unique configuration of the bottle, and the color red. At that time, however, these four elements worked more or less independently of each other with little, if any, visual relationship.

The marketing strategy developed by Lippincott & Margulies pulled these four elements together, through the creation of a "dynamic contour" which suggested the shape of the famous bottle, and which tied together both the Coke and Coca-Cola signatures. This system, which employs the sweeping white line on a brilliant red rectangle, pulled together all the brand's visual elements for the first time into a bold, revitalized trademark.

To heighten the impact of this new look, all Coca-Cola signs were standardized and limited to the two colors, red and white. The many thousands of shapes, colors and designs formerly in use were eliminated. The new look was also extended to every communicative element utilized by the company, from corporate stationery and business forms to delivery trucks, uniforms, vending machines, fountain dispensers, packaging, cartons, and bottlers' plants.

Today, implementation of Coke's new communication system is well under way in the over 130 countries in which it markets. Its overseas growth rate is a healthy nine to ten percent a year. In cooperation with government-owned bottlers in Rumania, Czechoslovakia, Yugoslavia, Poland, and Bulgaria, the company has brought its famous product to thirsty Eastern Europeans. Although not yet in the Soviet Union, one day in the foreseeable future the red rectangle will no doubt appear on Red Square, urging Muscovites to "ПИТЬ Coca-Cola."





On the preceding pages we have discussed how certain American companies have established a communications framework for their multinational marketing. But while Americans have been penetrating foreign markets, Europeans and Japanese multinational marketers have set their sights on an important foreign market of their own, the United States.

The future promises even more competition. The Bank of America, with the commendable objective of reducing the U. S. balance of payments deficit, has issued a booklet on "Direct Foreign Investment in the United States," in which it describes this country as "virtually virgin ground for direct investment by multinational companies." The bank reports that at the end of 1971 direct foreign investment in facilities in the U. S. totalled only $13.2 billion, or roughly one-sixth the amount invested by Americans abroad. Only four countries: Britain, Canada, The Netherlands and Switzerland, accounted for 80 percent of this investment.

One measure of the marketing skill of these foreign multinational giants is the degree to which they have buried their overseas origins within a totally American orientation. Who, when buying Lux soap, for example, recalls that

the parent company, Unilever, with its dual organizations in England and The Netherlands, is one of the world's largest corporations? Or Shell gasoline...Seagram's 7 Crown...or Taster's Choice?

Nestlé
The Swiss Have
a Name for It
Taster's Choice

Taster's Choice is, of course, the freeze-dried instant coffee produced by the U. S. subsidiary of Nestlé Alimentana, S. A., the Swiss multinational food giant. Lippincott & Margulies played an important role in the successful introduction of this product to the U. S. market.

At the time Nestlé came to Lippincott & Margulies, General Foods was already in test-markets with Maxim, its freeze-dried entry. Maxim was expected to be a strong competitor: it had a nine-month head start, the product's name was related to the firm's famous Maxwell House brand, and the Maxwell House endorsement appeared on the label. Moreover, from a marketing viewpoint, Nestlé's long-established reputation in the U. S. for chocolate products would scarcely contribute to an image of competence when introducing a new type of coffee.

A marketing strategy was agreed upon that would position the product as an entirely new kind of coffee, divorced from all others. Research indicated that the improved flavor of freeze-dried coffee would probably woo many customers away from the fresh-roasted variety as well as make inroads on the instant market.

Given Nestlé's perceived competence in chocolate, Lippincott & Margulies recommended that the product stand on its own without corporate endorsement. Moreover, the lack of any endorsing link would, it was believed, help to prevent cannibalizing another Nestlé product, Nescafe, something that Maxim was already doing to sales of Maxwell House instant.

to further boost over-all differentiation and attract fresh-roasted users, the product's name and package would adopt a premium quality stance. The marketing strategy also called for the product to appeal directly to the female shopper, responsible for the great majority of coffee pur-

chases, by creating an ambiance that was distinctly male.

The next step was development of a brand name that would best define the product's position in the eyes of the prospective customers. The final selection was the somewhat unusual one of "Taster's Choice," which, of the many screened, seemed to best convey the product's uniqueness, quality and promise of robust flavor. Unlike any coffee product on the market, the name "Taster's Choice" directly related to the coffee drinker, and also identified him as a gourmet.

In keeping with the marketing strategy, the package design, it was decided, should have an overtly masculine orientation, to reinforce the image projected by the name and identify the coffee drinker as the head of the household. The warm, manly red and brown tones of the label with its picture of a man contentedly "tasting his choice," would heighten the product's appeal to women shoppers. And the Taster's Choice signature underscored the label's masculine, gourmet attributes.

The configuration of the container itself subtly carried the masculine theme forward with broad, squared-off shoulders and a tapered waist. This distinctive shape, unlike any competitive container, provides dramatic impact in mass display, and not incidentally, is easy to hold. The narrow metal cap, which looks more expensive than plastic, repeats the color scheme of the label while the full product and brand identification enhances "look down" shelf recognition. As an additional reinforcement of the difference between the product and instant coffee, the jar's large areas of glass permit a clear view of its contents.

With carefully developed marketing objectives and a name and package capable of establishing and maintaining the brand as a new form of coffee, Nestlé began test marketing. First in key markets and then in national distribution, Taster's Choice steadily eroded Maxim's substantial lead.

Less than five years after its introduction, Taster's Choice became the best-selling freeze-dried coffee in the U.S. So well had the product been positioned that it not only did not diminish Nescafe's share of the market, but achieved its market dominance with the expenditure of some $5,000,000 less in measured media advertising than Gen-

eral Foods had provided for Maxim. Currently Taster's Choice has approximately 16 percent of the soluble coffee market, double Maxim's 8 percent.

The flexibility of the marketing strategy created for Taster's Choice recently enabled the company to introduce a decaffeinated version. On the label, the photograph of the man has given way to a picture of a woman, smilingly tasting "her" choice. The red of the original packaging has become a soft green, in sharp contrast to the browns, oranges and yellows that dominate the packaging for Brim and Sanka. While it is too early to assess the marketing impact of decaffeinated Taster's Choice on its two principal competitors, the marketing franchise established by the brand is undoubtedly winning new customers for the decaffeinated version.

In detailing the marketing success of Taster's Choice, the intent has not been to imply that European multinational marketers are inherently superior to American ones. Some products have crossed the Atlantic with less than resounding success. Knorr dried soups, for example, failed abysmally on the U. S. market, due in part to a miscalculation on the willingness of the American consumer to adopt a new method of preparing soup for her family.

Taster's Choice, however, carries a warning to American marketers by demonstrating that a combination of effective communications and market planning can make the foreign multinational corporation an exceedingly tough competitor even on America's home turf. And if the foreign multinational can provide significant competition in the country that gave birth to modern marketing, how much greater competitive muscle can it offer in markets outside the U. S.? In the growing battle for consumer attention in Europe, Africa and the Far East, success will depend, much more than in the past, on the effectiveness of a corporation's multinational communications strategy.

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